

TARIFF ACTION MEMORANDUM

Date: November 4, 2021

File No.: TA531-18

Date Filed: September 30, 2021

Statutory End Date: November 15, 2021

Utility: Matanuska Electric Association, Inc.

Description: Quarterly COPA and SFPPR Update

Synopsis of Filing:

Matanuska Electric Association, Inc. submits its quarterly Cost of Power Adjustment and Small Facility Power Purchase Rate update for the period beginning October 1, 2021.

Tariff Recommendation:

The Commission should approve Tariff Sheet Nos. 92.2 and 107, filed September 30, 2021, by Matanuska Electric Association, Inc. with TA531-18, as shown on the attached side-by-side tariff sheets (BA-1). The effective date of the tariff sheets should be October 1, 2021.

Reason(s) for the above-indicated recommendation: See attached memorandum.

Signed: Becki Alvey
Becki Alvey

Title: Utility Tariff Analyst

Commission decision regarding this recommendation:

	<u>Date (if different from 11/4/2021)</u>	<u>I CONCUR</u>	<u>I DO NOT CONCUR</u>	<u>I WILL WRITE A DISSENTING STATEMENT*</u>
Pickett		<u>RMP</u>		
Kurber		<u>KKT</u>		
Scott		<u>AGS</u> AGS		
Sullivan		<u>RMP</u> for DS		
Wilson		<u>JWW</u> JWW		

* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction letter or order.

STATE OF ALASKA
The Regulatory Commission of Alaska
701 West 8th Ave., Suite 300
Anchorage, Alaska 99501-3469

M E M O R A N D U M

To: Robert M. Pickett, Chairman
Keith Kurber II
Antony Scott
Daniel A. Sullivan
Janis W. Wilson

Date: November 4, 2021

From: Becki Alvey, Utility Tariff Analyst

Subject: TA531-18, Matanuska Electric Association, Inc.
Quarterly COPA and SFPPR Update

STATEMENT OF CASE

Matanuska Electric Association, Inc. (MEA) submits its quarterly Cost of Power Adjustment (COPA) and Small Facility Power Purchase Rate (SFPPR) update for the period beginning October 1, 2021.

RECOMMENDATION

The Commission should approve Tariff Sheet Nos. 92.2 and 107, filed September 30, 2021, by MEA with TA531-18, as shown on the attached side-by-side tariff sheets (BA-1). The effective date of the tariff sheets should be October 1, 2021.

BACKGROUND

MEA is a member-owned cooperative providing electric service to approximately 69,000 customers in Southcentral Alaska.¹ MEA's electric load is met primarily through generation at the Eklutna Generation Station, as well as energy purchased from other sources,² and the related costs are recovered solely through MEA's COPA surcharge.³

¹ See tariff advice letter filed with TA531-18, at page 3.

² MEA also receives power from (1) Bradley Lake Hydroelectric (Bradley Lake) for which MEA holds a 13.8% share, (2) Eklutna Hydroelectric (Eklutna) for which MEA holds a 16.7% share in its own right and receives an additional 19.1% share through a Power Purchase Agreement with the Municipality of Anchorage (See Letter Order No. L2000411, issued November 20, 2020 in TA525-18), (3) Enerdyne, LLC (Enerdyne) for purchases made under MEA's Schedule No. QF-1 SFPPR (See MEA Tariff Sheet No. 106), (4) South Fork Hydro (SFH), for purchases made under its 30-year contract (See Letter Order No. L1100564, issued October 28, 2011 in TA407-18) and (5) inter-utility purchases from Chugach Electric Association, Inc., and Golden Valley Electric Association, Inc. (See Letter Order L1500226, issued April 20, 2015 in TA451-18).

³ See Order No. U-15-078(2), at page 8.

MEA now submits its quarterly COPA and SFPPR update for the period beginning October 1, 2021. In accordance with historic Commission practice,⁴ a publication notice was not issued for TA531-18.

ANALYSIS

COPA

Proposed revisions to the COPA surcharge are reviewed under 3 AAC 52.504, which requires information supporting entries in the balancing account for the historical period and support for projections for the future period.⁵ Calculation of the COPA consists of two parts. The first part includes a 3-month estimate of kWh sales, power costs, and revenue offsets. MEA submitted supporting documentation for the projected period of October through December 2021. The second part includes documentation supporting the actual balancing account entries for April through June 2021, and MEA's estimated balancing account balance for September 30, 2021. MEA provided actual usage, generation, costs, and sales data for the period of April through June 2021, including invoices and spreadsheets supporting the balancing account entries.

COPA Surcharge Decrease (Tariff Sheet 92.2)

As shown on Tariff Sheet No. 92.2, filed with TA531-18, MEA proposes a COPA surcharge of \$0.07223/kWh. This represents a \$0.00237/kWh decrease from the currently approved COPA surcharge of \$0.07460/kWh.

Table 1 shows the effect of the proposed changes on a sample residential customer billing for 650 kWh usage.

Table 1

Sample Residential Customer Billing - 650/kWh Usage

Line Description	Current Rates	Proposed Rates	from Current Rate
1 Cost of Power Adjustment	\$0.07460	\$0.07223	(0.00237)
650kWh Residential Customer Bill			
2 Facilities Charge	\$13.00	\$13.00	-
3 Energy @ \$0.12453/kWh	\$80.94	\$80.94	-
4 RCC @ 0.000884/kWh	\$0.57	\$0.57	-
5 COPA Surcharge	<u>\$48.49</u>	<u>\$46.95</u>	<u>(\$1.54)</u>
6 Total Customer Bill	\$143.01	\$141.47	(\$1.54)

⁴ One reason the Commission forgoes publication notice for COPA filings is 3 AAC 52.504(d) which states “[f]or a COPA filing under (b) of this section, an electric utility is not required to give public notice under AS 42.05.411...” This allows a utility to implement a COPA upon filing, rather than waiting the 45 days specified in AS 42.05.411 to ensure adequate notice to the public of a tariff revision.

⁵ See 3 AAC 52.504(g), *Filing Requirements for Electric Utilities*. This support includes invoices, records, reports, calculations, contracts and any other information the Commission and Staff consider necessary to explain the proposed COPA calculation.

Factors that may affect the calculation of MEA's COPA include the previous period's ending balancing account balance, projected power costs, and projected sales. Changes in these factors frequently offset each other. Any factor that increases the average cost per kWh sold will put upward pressure on the COPA surcharge and any factor that decreases the average cost per kWh sold will put downward pressure on the surcharge. The proposed decrease to MEA's COPA is primarily driven by:

- 1) An increase in projected costs for the period. The projected fuel and transportation cost increased from \$9,917,041 to \$11,160,654.⁶ The projected purchased power cost for the same period decreased from \$1,540,784 to \$1,391,895.⁷ This results in the total costs increasing from \$11,457,825⁸ to \$12,552,549.⁹ These increased costs place upward pressure on the COPA surcharge.
- 2) An increase in the actual balancing account balance. The actual balancing account balance increased from \$164,201 to \$954,176,¹⁰ indicating that fewer revenues were collected through the COPA surcharge than costs were incurred. The result of the increased actual balancing account is upward pressure on the estimated balancing account.
- 3) An increase in the estimated balancing account balance. The estimated balancing account balance increased from \$813,367 to \$975,288.¹¹ The increase in the estimated balancing account balance places upward pressure on the COPA surcharge.
- 4) An increase in projected retail kWh sales for the period. The projected retail kWh usage increased from 164,490,000 kWh to 187,296,000 kWh.¹² This increase results in the projected costs¹³ being spread over a greater number of kWh, placing downward pressure on the COPA surcharge.

The increase in projected fuel and purchased power costs and increase in the estimated balancing account balance place upward pressure on the COPA surcharge; this is offset by the downward pressure from the increase in projected kWh sales. The overall effect is a decrease in MEA's COPA surcharge.

The COPA revisions proposed in TA531-18 did not include a change in methodology or new cost element, and as such, MEA implemented the proposed surcharge on October

⁶ See side-by-side MEA Tariff Sheet No. 92.2, attached as BA-1, at line no.1.40

⁷ *Id.*, at line no. 2.20.

⁸ $\$9,917,041 + \$1,540,784 = \$11,457,825$.

⁹ $\$11,160,654 + \$1,391,895 = \$12,552,549$.

¹⁰ See side-by-side MEA Tariff Sheet No. 92.2, attached as BA-1, at line no. 3.10.

¹¹ *Id.*, at line no. 3.20.

¹² *Id.*, at line no. 1.50

¹³ The total projected costs include the balancing account balance.

1, 2021, in accordance with 3 AAC 52.504(b).¹⁴ Staff has reviewed all information and calculations filed in support of TA531-18 and confirmed that the proposed surcharge was calculated accurately, using MEA's approved methodology, and that the tariff sheet is correct.¹⁵ Therefore, Staff recommends that the Commission approve Tariff Sheet No. 92.2.

Power Pool with Chugach Electric Association, Inc. (Chugach)

In Order No. U-18-102(44)/U-19-020(39)/U-19-021(39), the Commission required Chugach and MEA to form a tight power pool.¹⁶ Chugach and MEA filed amended pooling agreements in TA491-8 and TA523-18.¹⁷ On November 2, 2020, the Commission issued Letter Order Nos. L2000391 and L2000392 approving tariff sheets and Amended Pooling Agreements between Chugach and MEA filed with TA523-18 and TA491-8, respectively.

In April 2021, Chugach and MEA completed the first power pool transaction. MEA reported the tight pool exchanges delivered to Chugach as well as the tight pool exchanges received from Chugach in Exhibit 3.¹⁸

SFPPR Decrease (Tariff Sheet No. 107)

As approved with TA469-18,¹⁹ MEA calculates its SFPPR by applying the historical cost of fuel and transportation, inter-utility purchases, and variable operations and maintenance expense from the three-month period used to project costs and sales in the COPA clause revision. This figure is derived from fuel, transportation, and purchased power invoices; measurements of energy generated, sold, or purchased; and variable operation and maintenance expense applicable to the historical quarter. A ratio of kilowatt-hours sold to kilowatt-hours generated or purchased for the historical quarter is used to convert the avoided fuel, transportation, and inter-utility purchase expenses to a kilowatt-hour-sold basis. This calculation is then added to the variable operation and maintenance expense to produce the SFPPR.²⁰

Additionally with TA469-18, the Commission approved MEA's request for a waiver of the 45-day statutory notice period for future SFPPR filings. This waiver was granted provided the SFPPR revisions were filed with MEA's regular COPA filings and contained no change to the approved SFPPR methodology.²¹

¹⁴ See 3 AAC 52.504, *Filing Requirements for Electric Utilities*. 3 AAC 52.504(b) states "[a]n electric utility may implement a COPA filing that does not include a new methodology or cost element immediately upon filing with the Commission. The COPA filing is subject to subsequent review, adjustment, and approval by the Commission."

¹⁵ Side-by-side tariff sheets attached as BA-1.

¹⁶ See Order No. U-18-102(44)/U-19-020(39)/U-19-021(39), at Ordering Paragraph No. 25.

¹⁷ Staff notes that Chugach filed the original pooling agreement in TA490-8, which was withdrawn.

¹⁸ See TA531-18, at page 2.

¹⁹ See Letter Order No. L1600266, issued May 27, 2016.

²⁰ Side-by-side Tariff Sheet No. 107 attached as BA-1.

²¹ See Letter Order No. L1600266, issued May 27, 2016.

MEA proposes an SFPPR of \$0.07286/kWh, a decrease from the currently approved SFPPR of \$0.07434/kWh.²² Staff confirmed that the proposed SFPPR was calculated accurately, using MEA's approved methodology, and that the tariff sheet is correct. Therefore, Staff recommends that the Commission approve Tariff Sheet No. 107.

CONCLUSION

With TA531-18, MEA requests approval of its quarterly COPA and SFPPR update for the period beginning October 1, 2021. Staff has verified the proposed rate and surcharge were calculated accurately using MEA's approved methodologies, the proper support was filed, and the tariff sheets are correct. Therefore, Staff recommends the Commission approve Tariff Sheet Nos. 92.2 and 107, filed September 30, 2021, by MEA with TA531-18. The effective date of the tariff sheets should be October 1, 2021.

Signature: 

Email: bob.pickett@alaska.gov

Signature: 
Keith Kurber II (Nov 4, 2021 08:26 AKDT)

Email: keith.kurber@alaska.gov

Signature: 

Email: antony.scott@alaska.gov

Signature: 
Janis W. Wilson (Nov 4, 2021 15:32 AKDT)

Email: janis.wilson@alaska.gov

²² MEA's SFPPR applies to QFs with nameplate capacity of 100 kW or less. See side-by-side Tariff Sheet No. 107, attached as BA-1.

RCA No. 18 147th Revised Sheet No. 92.2
Canceling
146th Revised Sheet No. 92.2

RECEIVED
JUN 30 2021
STATE OF ALASKA
REGULATORY COMMISSION OF ALASKA

MATANUSKA ELECTRIC ASSOCIATION, INC.

COST OF POWER ADJUSTMENT
(Continued)

E. Determination of Cost of Power Adjustment

Estimated costs beginning July 1, 2021:

(1) Cost of Fuel			T
(1.10) EGS - Hilcorp Alaska, LLC Fuel Gas (MEA-02, as amended)	\$9,281,163	I	
(1.11) Transportation Charges	\$511,646	I	
(1.20) EGS - Crowley Fuels LLC ULSD#2 Fuel (MEA-02D)	\$124,232	I	
(1.30) Reserved for Future Use	\$0		
(1.35) Short-term Purchases of Natural Gas	\$0		
(1.40) Total Cost of Fuel and Transportation	\$9,917,041	I	
(1.50) Projected Retail Sales (kWh)	164,490,000	R	
(1.60) Fuel Cost (per kWh)	\$0.06029	I	
(2) Cost of Purchased Power			R
(2.10) Bradley Lake Purchases	\$540,666	R	
(2.11a) Inter-utility Sales	\$0		
(2.11b) Inter-utility Purchases	\$0		
(2.12) Other Purchases	\$0		
(2.13) Spinning Reserve Purchases	\$0		
(2.14) Wheeling Charges	\$206,812	I	
(2.15) Tight Power Pool Transactions (Net)	\$40,100	I	
(2.16a) MOA Eklutna Hydro Power Purchases	\$753,206	I	
(2.16b) Independent Power Producer Energy Purchases	\$0		
(2.20) Total Cost of Purchased Power	\$1,540,784	I	
(2.30) Projected Retail Sales (kWh)	164,490,000	R	
(2.40) Purchased Power Cost (per kWh)	\$0.00937	I	
(3) Cost of Power Balance Account			T, I
(3.10) Actual Balance as of March 31, 2021	\$164,201	T, I	
(3.20) Estimated Balance as of June 30, 2021	\$813,367	T, I	
(3.30) Balancing Account Estimate to be Recovered	\$813,367	I	
(3.40) Projected Retail Sales (kWh)	164,490,000	R	
(3.50) Balancing Account Estimate (per kWh)	\$0.00494	I	
(4) Total Cost of Power to be Recovered:			I
(4.10) Fuel Cost (per kWh)	\$0.06029	I	
(4.20) Purchased Power Cost (per kWh)	\$0.00937	I	
(4.30) Balancing Account Estimate (per kWh)	\$0.00494	I	
(4.40) Cost to be Recovered (per kWh)	\$0.07460	I	
(5) Base Cost of Power			
(5.10) Base Cost of Power (per kWh)	\$0		
(6) Cost of Power Adjustment			I
(6.10) Line (4.40) Minus Line (5.10), (per kWh)	\$0.07460	I	

Tariff Advice No. TA530-18 Effective July 1, 2021

Issued by: **MATANUSKA ELECTRIC ASSOCIATION, INC.**

By: Anthony M. Izzo Title: Chief Executive Officer

RCA No. 18 148th Revised Sheet No. 92.2
Canceling
147th Revised Sheet No. 92.2



MATANUSKA ELECTRIC ASSOCIATION, INC.

COST OF POWER ADJUSTMENT
(Continued)

E. Determination of Cost of Power Adjustment

Estimated costs beginning October 1, 2021:

(1) Cost of Fuel			T
(1.10) EGS - Hilcorp Alaska, LLC Fuel Gas (MEA-02, as amended)	\$10,479,917	I	
(1.11) Transportation Charges	\$538,463	I	
(1.20) EGS - Crowley Fuels LLC ULSD#2 Fuel (MEA-02D)	\$142,274	I	
(1.30) Reserved for Future Use	\$0		
(1.35) Short-term Purchases of Natural Gas	\$0		
(1.40) Total Cost of Fuel and Transportation	\$11,160,654	I	
(1.50) Projected Retail Sales (kWh)	187,296,000	I	
(1.60) Fuel Cost (per kWh)	\$0.05959	R	
(2) Cost of Purchased Power			I
(2.10) Bradley Lake Purchases	\$562,047	I	
(2.11a) Inter-utility Sales	\$0		
(2.11b) Inter-utility Purchases	\$0		
(2.12) Other Purchases	\$0		
(2.13) Spinning Reserve Purchases	\$0		
(2.14) Wheeling Charges	\$188,527	R	
(2.15) Tight Power Pool Transactions (Net)	\$32,586	R	
(2.16a) MOA Eklutna Hydro Power Purchases	\$608,735	R	
(2.16b) Independent Power Producer Energy Purchases	\$0		
(2.20) Total Cost of Purchased Power	\$1,391,895	R	
(2.30) Projected Retail Sales (kWh)	187,296,000	I	
(2.40) Purchased Power Cost (per kWh)	\$0.00743	R	
(3) Cost of Power Balance Account			T, I
(3.10) Actual Balance as of June 30, 2021	\$954,176	T, I	
(3.20) Estimated Balance as of September 30, 2021	\$975,288	T, I	
(3.30) Balancing Account Estimate to be Recovered	\$975,288	I	
(3.40) Projected Retail Sales (kWh)	187,296,000	I	
(3.50) Balancing Account Estimate (per kWh)	\$0.00521	I	
(4) Total Cost of Power to be Recovered:			R
(4.10) Fuel Cost (per kWh)	\$0.05959	R	
(4.20) Purchased Power Cost (per kWh)	\$0.00743	R	
(4.30) Balancing Account Estimate (per kWh)	\$0.00521	I	
(4.40) Cost to be Recovered (per kWh)	\$0.07223	R	
(5) Base Cost of Power			
(5.10) Base Cost of Power (per kWh)	\$0		
(6) Cost of Power Adjustment			R
(6.10) Line (4.40) Minus Line (5.10), (per kWh)	\$0.07223	R	

Tariff Advice No. TA531-18 Effective October 1, 2021

Issued by: **MATANUSKA ELECTRIC ASSOCIATION, INC.**

By: Anthony M. Izzo Title: Chief Executive Officer

RCA 18 54th Revised Sheet No. 107
Canceling
53rd Revised Sheet No. 107

RECEIVED
JUN 30 2021

STATE OF ALASKA
REGULATORY COMMISSION OF ALASKA

MATANUSKA ELECTRIC ASSOCIATION, INC.

SCHEDULE NO. QF-1

GENERAL RULES AND PURCHASE AND SALE RATES FOR QUALIFYING
FACILITIES WITH A DESIGN CAPACITY OF 100 KW OR LESS (Continued)

RATES (Continued)

The method of determining the Small Facility Power Purchase Rate follows:

The Association will apply the historical cost of fuel and transportation, inter-utility purchases, and variable operations and maintenance expense from the three-month period used to project costs and sales in the Cost of Power Adjustment clause revision. This figure will be derived from fuel, transportation, and purchased power invoices; measurements of energy generated, sold, or purchased; and variable operation and maintenance expense applicable to the historical quarter. A ratio of kilowatt-hours sold to kilowatt-hours generated or purchased for the historical quarter will be used to convert the avoided fuel, transportation and inter-utility purchase expenses to a kilowatt-hour-sold basis. This calculation will then be added to the variable operation and maintenance expense to produce the Small Facility Power Purchase Rate.

All costs and kilowatt-hours generated or sold are from historical activity from the quarter used to project costs and sales in the Cost of Power Adjustment clause revision.

A. Total Cost of Fuel and Transportation	\$	15,326,060	I
B. Cost of Inter-Utility Purchases	\$	-	R
C. Generation from EGS (kWh)		218,357,368	I
D. Inter-Utility Purchases (kWh)		-	R
E. Total Generation and Purchases from All Sources (kWh)		245,755,617	I
F. Ratio of EGS Generation and Inter-Utility Purchases to Total Generation and Purchases from All Sources (C + D) / E		88.9%	I
G. Total System Sales (kWh)		232,127,889	I
H. Avoided Fuel, Transportation & Purchases (¢/kWh) (A + B) / (F x G)		7.431 ¢/kWh	R
I. Avoided Variable O&M (¢/kWh)		0.003 ¢/kWh	
J. Small Facility Power Purchase Rate	H + I	7.434 ¢/kWh	R

Tariff Advice No. TA530-18 Effective: July 1, 2021

Issued by: MATANUSKA ELECTRIC ASSOCIATION, INC.

By:  z. Title: Chief Executive Officer

RCA 18 55th Revised Sheet No. 107
Canceling
54th Revised Sheet No. 107



MATANUSKA ELECTRIC ASSOCIATION, INC.

SCHEDULE NO. QF-1

GENERAL RULES AND PURCHASE AND SALE RATES FOR QUALIFYING
FACILITIES WITH A DESIGN CAPACITY OF 100 KW OR LESS (Continued)

RATES (Continued)

The method of determining the Small Facility Power Purchase Rate follows:

The Association will apply the historical cost of fuel and transportation, inter-utility purchases, and variable operations and maintenance expense from the three-month period used to project costs and sales in the Cost of Power Adjustment clause revision. This figure will be derived from fuel, transportation, and purchased power invoices; measurements of energy generated, sold, or purchased; and variable operation and maintenance expense applicable to the historical quarter. A ratio of kilowatt-hours sold to kilowatt-hours generated or purchased for the historical quarter will be used to convert the avoided fuel, transportation and inter-utility purchase expenses to a kilowatt-hour-sold basis. This calculation will then be added to the variable operation and maintenance expense to produce the Small Facility Power Purchase Rate.

All costs and kilowatt-hours generated or sold are from historical activity from the quarter used to project costs and sales in the Cost of Power Adjustment clause revision.

A. Total Cost of Fuel and Transportation	\$	11,715,847	R
B. Cost of Inter-Utility Purchases	\$	31,501	I
C. Generation from EGS (kWh)		141,510,482	R
D. Inter-Utility Purchases (kWh)		23,474,000	I
E. Total Generation and Purchases from All Sources (kWh)		195,933,194	R
F. Ratio of EGS Generation and Inter-Utility Purchases to Total Generation and Purchases from All Sources (C + D) / E		84.2%	R
G. Total System Sales (kWh)		191,570,006	R
H. Avoided Fuel, Transportation & Purchases (¢/kWh) (A + B) / (F x G)		7.283 ¢/kWh	R
I. Avoided Variable O&M (¢/kWh)		0.003 ¢/kWh	
J. Small Facility Power Purchase Rate	H + I	7.286 ¢/kWh	R

Tariff Advice No. TA531-18 Effective: October 1, 2021

Issued by: MATANUSKA ELECTRIC ASSOCIATION, INC.

By:  Anthony M. Izzo Title: Chief Executive Officer